SUBMISSION BY THE

NEWFOUNDLAND AND LABRADOR

FEDERATION OF LABOUR

TO THE

LABOUR STANDARDS BOARD

May 1984

Introduction

The Newfoundland and Labrador Federation of Labour is pleased once again to present its views to the Labour Standards Board. At the same time, we cannot fail to comment on the negative context for the Board's investigation, on the direction of the Minister of Labour, into the minimum wage.

The Federation is well aware that this investigation has been prompted by intense political pressure from a vocal group of employers, on the provincial government. The concern demonstrated by these employers for those men and women who work for the minimum wage, is at best questionable.

We are also aware that the Board has been put in the somewhat embarassing position of having to review its earlier recommendation. Specifically, we are referring to its 1982 recommendation that the minimum wage be increased on January 1, 1984 by 25 cents/hour to $4.00/hour. Thus far, the government has ignored that recommendation and has instead directed the Board to conduct this investigation. At the very least, we would urge the Board to resist employer and government opposition to improvements in the minimum wage by reaffirming its 1982 recommendation.

Finally, while the Board has been instructed to examine only the minimum wage issue, the Federation has taken this opportunity to briefly mention some of a number of other issues that deserve its attention.

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Minimum Wage

In spite of the fact that the Federation membership is not affected directly by the minimum wage, it is our duty to make representation on behalf of all working people in the province. This is entirely consistent with organized labour's role across Canada with respect to the development and maintenance of, minimum labour standards. By definition, unorganized workers are voiceless and defenceless; it is therefore encumbent upon the Federation to speak on their behalf.

Since 1977, the minimum wage in Newfoundland has been raised in four steps, from $2.50/hour to the present level of $3.75/hour. The last increase was on January 1, 1983, from $3.45/hour to the present level. From 1977 to now therefore, the minimum wage has gone up by 50 per cent.

Over the same period (March/77 - March/84), the cost of living in St. John's, as measured by the Consumer Price Index (CPI), has increased by 87 per cent. Consequently, in order for someone in St. John's trying to live on the minimum wage, to simply maintain the same purchasing power as in 1977, the minimum wage today would have to be $4.68/hour. That is, nearly a dollar per hour more would be required to have the same real income.

Clearly, despite increases in the minimum wage in the interim, the cost of living has shot up even faster. The minimum wage does not go as far as it did seven years ago; in fact, it goes only 80 per cent as far.

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Traditionally, the minimum wage in Newfoundland has been amongst the lowest, if not the lowest, in Canada. This remains true in 1984. Among the thirteen jurisdictions in Canada (federal, ten provincial and two territorial), seven have higher minimum wages, two are the same and only three are lower. This low ranking is made even more unacceptable by the fact that the cost of living in Newfoundland, relative to most of the other provinces and territories, is high.

Statistics Canada data comparing consumer prices in eleven major Canadian cities confirm that St. John's is a relatively expensive place to live. On the basis of a combined city average of 100, St. John's stands first in the cost of food at 107, second in household operation at 105 (only Saint John, N.B. is higher) and second in transportation at 101 (only Montreal is higher). These figures are for September 1983; figures for the same month in 1977 reveal a similar pattern.

Thus, Newfoundland's low relative minimum wage and high relative cost of living (especially for basic needs such as food, housing and transportation) combine to form a double whammy for those forced to exist on the minimum wage.

The brutal truth is that the present minimum wage is hopelessly inadequate. It is «legislated poverty» for all those who are dependent upon it.

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Assuming a forty-hour week and year-round employment, the present minimum wage yields an annual income of $7,800. Using Statistics Canada's poverty line estimates for 1983, a single person living in a city the size of St. John's would require an income above $8,400 to be considered over the poverty line. The addition of dependents of course, raises the line. For example, a family of four in the same city would require an income over $17,000. The corresponding numbers for smaller population centres and rural areas are somewhat lower but the fact remains that the minimum wage consigns most of its recipients to a poverty-level income.

If the Board believes that the minimum wage, as a piece of social legislation, should reflect the cost of maintaining a worker and his/her family in decency and self respect, then it seems only reasonable to ensure that it is realistically related to the cost of living. Furthermore, once that right is established, it is important to ensure that it is not eroded by inflationary forces.

We recognize that, in the face of current government policies, the entrenchment of this principle will be difficult. The provincial government has announced a two-year wage freeze for its employees that will be «reviewed» on its expiration. It has also signalled to the private sector, by its own actions and through verbal suasion, its strong support for «moderation» in wage settlements.

Like many other governments, both inside and outside Canada, the Newfoundland government is pursuing a policy of wage suppression. This policy amounts to nothing

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more than a form of protectionism in the drive for competitiveness - a drive that is being launched on the back of working people.

We maintain that this policy is not only unjust but also counter-productive in economic terms. Wage controls, freezes and rollbacks etc. directly attack the standard of living of the workers affected. In broader terms, they deprive the economy of crucial purchasing power which must be the foundation of recovery and growth.

The government's refusal to inplement the Board's 1982 minimum wage recommendation for January of this year, is consistent with its view about wages in general. It is also socially regressive. The government is attempting to influence the overall wage structure by controlling the minimum wage. And, by controlling the minimum wage, it is consciously sacrificing low-wage workers, the weakest and poorest of the working poor.

The Federation absolutely rejects the government's position and we hope the Board will play a positive role by doing likewise.

Two-Tiered Minimum Wage

The spectre has arisen of a two-tiered minimum wage; one for general application and another for the tourist industry and young workers. We support a single minimum wage for everyone 16 years of age and older.

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In November, 1982 the federal government released a report entitled Tourism in Canada: Past, Present, Future. Two excerpts from that report are worth repeating here in regard to wages.

Commenting on the large number of unfilled jobs in Ontario's food and hospitality industry in 1979 in spite of high unemployment, the report says: «It may be explained by the public perception of prevailing low wage rates in the industry and the industry's poor career image» (our underlining) p.36

Commenting further on the industry's lack of training, the report states: «The high rates of staff turnover that go hand in hand with low wages, seasonality and poor image discourage the tourism industry from making any sizeable investment in staff training...» (our underlinding) p.36

Whatever problems beset the tourism industry, they are not attributable to high wage rates. Wage rates in the industry are notoriously low in relation to almost all other sectors of the economy. Average weekly earnings in December 1983 for hotels and motels were $189.05; for restaurants, caterers and taverns, they were $153.14. This represented only 48 per cent and 39 per cent respectively, of the average industrial wage.

To argue that already-low wage rates should be even lower (by reducing the minimum wage) is tantamount to saying that workers in the industry should further subsidize

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both tourist operators and tourists. The tourist industry already receives sizeable taxpayer subsidization, especially through expensive and extensive advertising campaigns designed to promote tourism and paid for by governments at all levels.

Despite minimum protections contained in employment standards legislation, abuses are still rampant in the tourism industry. As long as the prevailing attitude on the part of industry operators is that people who work for low wages are just there to be exploited, and are not deserving of common consideration and respect, the industry's problems will continue.

With respect to the question of minimum wage and age, the Federation supports the maintenance of the present application to those 16 years of age and over. Any return to a higher age (eg. 17 or 18) would re-establish discrimination and unfairness. It would again encourage employers to terminate the employment of 17 or 18-year olds to escape payment of higher minimum wages in favour of hiring even younger workers who would be subject to a lower minimum wage (or none at all) provisions. We strongly urge that the minimum wage continue to take effect at the age of 16.

Minimum Wage: The Federation's Position

In 1971, the Senate Committee on Poverty recommended that the minimum wage be set at 60 per cent of the average industrial wage. The Federation supports this formula. Further, the minimum wage should be automatically adjusted on a quarterly basis to take into account changes in the average industrial wage.

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Statistics Canada now publishes two indicators of industrial wages. The first is the «old» industrial composite. In the fourth quarter of 1983 weekly earnings under the composite in Newfoundland were $399.38 or $9.98/hour based on a 40-hour week. Sixty per cent of this yields a wage of $5.99/hour. The second indicator is the «new» industrial aggregate. In the fourth quarter of 1983 weekly earnings under the aggregate in Newfoundland were $380.25 or $9.51/hour based on a 40-hour week. Sixty per cent of this yields a wage of $5.71/hour.

Obviously, whichever indicator is used, the resulting hypothetical minimum wage (according to the Senate Committee recommendation) is substantially higher than the present level ($2.24/hour and $1.96/hour respectively).

We are not so naive as to believe this gap can be closed tomorrow. However, we are committed to this as an objective, against which the adequacy of minimum wages can be measured. To begin the process of moving in this direction, adjustments should be accelerated to improve the relationship between the minimum wage and average wages. A first step would be the Board's reiteration that its recommended $4.00/hour be enforced immediately.

Other Issues

As previously mentioned, the Federation, in the remainder of this submission, will deal briefly with issues that the Board (and the government) ought to be addressing. The list is by no means exhaustive. We shall only be referring to three matters: mass layoffs, bankruptcy and adoption leave

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Mass Layoffs

Forecasts of economic and labour market activity throughout the 1980's predict difficult times for Canadians: slow growth, falling real incomes and profound changes in the structure and location of industry. The implications for Newfoundland, given its vulnerability to fluctuations in the market for certain commodities, is especially threatening.

Two tasks lie ahead. The first is to replace the fiscal and monetary policies presently in place. Governments, through their policies of restraint, are seriously undermining the economy's strength through their conscious attack on incomes, growth and investment.

The second task is to provide security within change. It may not be possible to sustain some industries currently operating, but through industrial planning, they may be replaced with new industries producing new products or replacing imported goods.

In providing this security within change we can also ensure that the burdens associated with economic adjustment are equitably shared and that individuals, their families and communities are not forced to finance the costs of retraining, relocation and community economic renewal associated with economic dislocations.

Against this backdrop, the Federation sees adjustment assistance in the context of a series of programs to ensure full employment and the rational development of a strong and diversified industrial base in Newfoundland. Our program includes the following points:

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1. one year advance notice of plant closures and major lay-offs and six months for lay-offs of less than 50 employees.

2. major lay-offs and plant closures must be justified in hearings before a Job Protection Board. A single member board, appointed by the government after consultation with the parties affected, would have powers to examine the reasons for the full or partial closure.

3. compensation payments to communities affected by lay-offs payable out of a special fund financed through employer contributions. The Job Protection Board would make recommendations concerning payments out of the Community Adjustment Fund. The rules governing the establishment and administration of the Fund and respecting entitlement for assistance would be made by regulation.

4. in addition to proceedings before the Job Protection Board, no lay-offs may occur until negotiations take place between the employer and the union or, where there is no union, a committee of employees, to discuss ways of avoiding a loss of jobs. During such consultations, the employer shall make available all relevant financial information concering the lay-off.

5. where lay-offs cannot be prevented, an agreement must be signed between the employer and the union or committee of employees covering all terms of the lay-off before termination may proceed. The Minister of Labour shall make regulations setting out minimum amounts to be paid to terminated employees as relocation allowances.

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6. in cases where employees are on strike or locked out at the time the employer announces his intention to lay-off, the above-mentioned negotiations remain mandatory before any action can be taken.

7. severance pay of at least one week per year of service, or portion of a week's pay for each portion of a year worked, with no service requirement.

8. a levy-grant system to ensure that all employers contribute to the cost of retraining workers.

9. changes in pension legislation to improve vesting rights and ensure portability of pensions.

Together the components of this package, which would require provincial government legislation, regulation and enforcement, and in some cases inter-government agreement, would afford greater protection to workers, families and communities than presently exists. They represent the kind of comprehensive approach required to mitigate the impact of industrial re-structuring, whatever its cause.

Bankruptcy

The economic downturn has caused a phenomenal increase in the number of bankruptcies. Unfortunately, in the case of business bankruptcies, it is the employees who get the short end of the stick.

In 1980 the federal Minister of Consumer and Corporate Affairs appointed a Committee under the Chairmanship of Dean Raymond Landry to study how best to protect workers' wages in bankruptcy and insolvencies. The Federation fully

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supports the Landry Committee Report. Its main recommendation was that wages be pulled out of the scheme of distribution (to creditors) and handled through a «Wage Protection Fund».

At the federal level, the Canadian Labour Congress is lobbying for the Landry recommendation to be incorporated into revisions to the Bankruptcy Act.

We realize that federal bankruptcy law is applicable in the area of formal bankruptcies. Nevertheless, the idea of a Wage Fund, at least insofar as insolvencies and receiverships are concerned, should be examined seriously by the provincial government.

Otherwise, workers' access to their wages and delays in gaining that access, will remain a problem.

Adoption Leave

Part VI of the Labour Standards Act concerns maternity leave. The Federation believes it should be amended to include rights for parents who are adopting a child.

Furthermore, we would recommend the following changes to this part of the Act:

- no service requirement
- up to one year of leave on birth or adoption of a child, with an option to share such leave between parents
- during 17 weeks maternity leave, employer top up UI benefits to 93 per cent of earnings and pay the full amount during the 2-week waiting period when no UI benefits are available

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- seniority and other benefits accumulate during leave
- 10 days parental leave with pay per year.

The Federation looks forward to discussing these and other issues with the Board and the government in the near future.

All of which is respectfully submitted.

May 3, 1984
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